

DEPARTMENT OF COMMUNITY HEALTH

**AUDIT OF THE
PROCUREMENT CARD PROGRAM**

Michigan Department of Community Health
Office of Audit
Special Audits, Review and Compliance Section





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JANET OLSZEWSKI
DIRECTOR

September 29, 2005

Ms. Janet D. Olszewski, Director
Department of Community Health
Lewis Cass Building
Lansing, MI 48909

Dear Ms. Olszewski:

This is our report on our audit of the procurement card program for the period May 1, 2004 through May 31, 2005.

This report contains an introduction; audit scope and methodology; objective, conclusion, findings and recommendations.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "James B. Hennessey".

James B. Hennessey, Director
Office of Audit
Internal Auditor

TABLE OF CONTENTS

DEPARTMENT OF COMMUNITY HEALTH **AUDIT OF THE PROCUREMENT CARD PROGRAM**

	<u>Page</u>
Introduction.....	1
Audit Objective.....	2
Audit Scope and Methodology	2
Conclusion	3
 Findings and Recommendations	
1. Quality Control/Monitoring.....	3
2. Authorized Cardholders	9
3. Unallowable Purchases	10
4. Card Sharing	11
5. Ghost Accounts.....	12
6. Procurement Card Security	14
7. Cardholder Applications	14
8. PaymentNet Access	15
 Glossary of Acronyms and Terms	17
 Corrective Action Plan.....	18

INTRODUCTION

To simplify and expedite the purchasing process for state agencies, the Department of Management and Budget (DMB) implemented the State of Michigan Procurement Card Program in 1995. DCH fully implemented the procurement card system in 1996. DCH appointed a Procurement Card Administrator (Administrator) who is responsible for ensuring compliance with the DMB Procurement Card Program requirements and internal departmental policies. The Administrator is responsible for procurement card transactions involving DCH operations (excluding facilities) and for department wide enrollment and removal of cardholders from the program. Each hospital/center is responsible for identifying a Facility Procurement Card Liaison (Liaison) responsible for the processing of procurement card transactions and ensuring the integrity of the program at their individual facility.

Procurement cardholders are selected at the discretion of DCH management and are provided a Chase/MasterCard Procurement Card to make purchases directly from vendors. Each cardholder is responsible for the use of and security over their procurement card. JP Morgan Chase, a private contractor, provides billing services for the procurement card program.

Cardholder charges are reflected on a Cardholder Transaction Detail report that is provided to each cardholder on a biweekly basis. This report is to be used for reconciling cardholder charges and for the recording of accounting codes needed for entry into the state's accounting system. Each hospital/center is responsible for controlling and processing their own procurement card transactions. Enrollment and removal from the procurement card program for all DCH cardholders is processed and controlled centrally by the Administrator.

From May 1, 2004 to May 31, 2005 DCH processed 11,304 procurement card transactions totaling \$2,354,558. DCH facilities accounted for 6,399 of these transactions totaling \$943,403. In May 2005 there were 207 cardholders department wide with approximately half at DCH facilities.

Our testing of transactions for DCH facilities and non-facility operations for this period were as follows:

	<u>Cardholders</u>	<u>Transactions</u>	<u>Purchases</u>
DCH Operations	60	185	\$165,564
Hospitals/Centers	<u>62</u>	<u>545</u>	<u>84,233</u>
Total	<u>122</u>	<u>730</u>	<u>\$249,797</u>

AUDIT OBJECTIVE

Our audit objective was to assess whether DCH's internal control processes and procedures over the procurement card program were effective to ensure compliance with applicable laws, regulations, rules, policies and/or procedures.

AUDIT SCOPE AND METHODOLOGY

For the DCH central office, our audit covered the period May 1, 2004 through May 31, 2005. At the DCH facilities we concentrated our examination on the period from October 1, 2004 through December 31, 2004. We reviewed DMB and DCH policies and procedures. We interviewed DCH cardholders, supervisors, Administrators, Liaisons, and other selected staff members. We tested a judgmental selection of transactions for proper approval, supporting documentation, accounting, and compliance with other applicable procurement card policies and procedures. We examined processes for approving card applications, monitoring card use, and maintaining card security. We judgmentally selected a sample of equipment purchases to verify the existence of those items.

Our audit began with an entrance meeting on June 8, 2005, and ended with an exit meeting on July 28, 2005.

CONCLUSION

Objective: To assess whether DCH's internal control processes and procedures over the procurement card program were effective to ensure compliance with applicable laws, regulations, rules, policies and/or procedures.

Conclusion: We found that DCH internal control processes and procedures over the procurement card program were generally effective in ensuring compliance with applicable laws, regulations, rules, policies and/or procedures. However, we found reportable conditions related to quality control and monitoring (Finding #1), authorized cardholders (Finding #2), unallowable purchases (Finding #3), card sharing (Finding #4), ghost accounts (Finding #5), procurement card security (Finding #6), cardholder applications (Finding #7), and PaymentNet access (Finding #8).

FINDINGS AND RECOMMENDATIONS

Finding

1. Quality Control/Monitoring

DCH did not have a quality control function or monitoring system in place to ensure that all purchases were properly authorized, allowable, and adequately documented.

Each cardholder receives a biweekly Cardholder Transaction Detail Report (Report) that is used to reconcile their purchases and returns (credits). The reconciled report is then required to be sent to accounting along with all supporting documentation and proper cardholder/supervisory approvals for payment. Accounting personnel are not required to review the information. The detail information is subsequently forwarded to the Administrator for any review and follow-up that may be necessary.

We found that the monitoring activities did not always ensure that the Report sent to accounting had adequate or required documentation to support the credit card purchases and had the required supervisory approval. By not adequately reviewing this detail, inappropriate purchases and payment could go undetected. As a result of

our review, we found the following control weaknesses, some of which could possibly have been detected through better monitoring activities:

- a. The Reports were being sent directly to the cardholder, rather than to the cardholder's supervisor. The Report is to be received, reconciled and certified biweekly by each cardholder. In a memo dated March 4, 2003, DCH cardholders were instructed to sign and date the Report, obtain certification of supervisor, attach receipts, and forward "to Accounting within 14 calendar days of the ending date of cycle." The supervisory certification serves to document that the purchases listed on the Reports have been reviewed to ensure that the card is only being used for necessary, allowable, and authorized purchases. By sending the Reports directly to the cardholder, there is no assurance that the cardholder's supervisor is actually receiving, reviewing, and personally certifying them.
- b. We also discovered that the cardholders and/or the cardholder's supervisor did not always certify the Report as required. In addition, we found that the Reports were not all submitted to DCH Accounting on a timely basis and not all cardholders retained a copy of all receipts, the certified report, and other necessary documents that were forwarded to accounting.

Of the 185 non-facility transactions selected for review and summarized on 101 separate Reports, we found 5 (5%) that were not certified by the cardholder's supervisor. We also found the supervisor's approval signature was not dated on 3 Reports and 3 were missing the date of the cardholder's certification signature. We discovered one instance where a rubber stamp was used in place of a supervisor's signature. The stamp was kept in the cardholder's desk. In this instance there is no assurance that the report was actually certified by the supervisor. Of the 545 transactions reviewed in the hospitals/centers, we noted 18 instances, all related to a single individual, where the cardholder approved the Reports as both the cardholder and the supervisor.

We also found that 13 (13%) reports had not been forwarded to accounting within the required 14 days. Two were over 50 days after the cycle end date. Through discussion with 14 cardholders we learned that 2 (14%) do not maintain copies of documents submitted to accounting.

The Report certification by the cardholder and supervisor provides an attestation that the purchases made were appropriate, procurement card policies and procedures have been followed, and that appropriate review and monitoring have been performed. Failure to obtain appropriate certification may increase the likelihood of inappropriate purchases or undetected purchasing errors. Timely submission to accounting will help to ensure that only appropriate transactions are paid for by DCH.

- c. We discovered some purchases that we considered non-essential during our review that possibly could have been identified through improved monitoring activities. Executive Directive 2004-8 set forth restrictions on purchases of non-essential supplies, materials, equipment, printing, or other products. Through a December 9, 2004 memorandum, DCH issued the following guideline to that Directive, which states, "...Contract Management Section will monitor expenditures to ensure only critical and essential spending is occurring." Attachment II, Section C of the memorandum states, "...procurement card is limited this fiscal year only to essential purchases...MDCH Contract Management section will monitor procurement card purchases during the fiscal year for compliance." While we discovered a couple instances where a pavilion shelter was rented when a state facility could have been utilized and where mugs and duffle bags were purchased for distribution at a conference, the majority of the purchases we considered non-essential related to food purchases for meetings. We also discovered large differences between various administrations or areas within the Department with respect to food related purchases as evidenced by the following schedule:

<u>Administration</u>	<u>Amount</u>	<u>% Of Total</u>
DD Council	\$ 1,348	7%
Health Policy	747	4%
Public Health Administration	16,981	84%
Services to the Aging	851	4%
Medical Services Administration	<u>172</u>	<u>1%</u>
	\$20,099	100%

While these purchases were generally incurred to provide meals or refreshments for meetings and training sessions and generally complied with the credit card purchasing directives issued by the Administrative Services Division in July 2004, we question whether they meet the criteria for essential purchases as described in the Executive Directive. In addition to the frequency of these meetings, we also discovered that these purchases were often made for meetings that were scheduled around the lunch hour.

The Contract Management Section informed us it monitors these purchases on a post payment basis; however, we found no documentation during our testing to suggest that any identification of non-essential items was made or communicated to cardholders or supervisors.

Improved monitoring could have helped to identify these types of purchases and also may have identified the large spending differences between administrations.

- d. The monitoring activities were not always sufficient to ensure that adequate or required supporting documentation was maintained for procurement card purchases.

Supporting documentation (invoices, charge slips, packing slips, etc.,) for procurement card purchases are to be attached to the supervisor certified Report and submitted to DCH Accounting for payment. This not only

identifies what was purchased, but is also used in support of the payment to JP Morgan Chase.

Credit Card Purchasing Information issued by the DCH Administrative Services Division, revised July 2004, contains examples of items that can and cannot be purchased by credit card. In addition, some items require advance approval. For catered foods, a list of attendees with guests must be submitted with the billing. Use of non-state conference rooms must be prior approved on the DCH-0013 form. Copyrighted materials may only be purchased with "Division/Hospital/Bureau/Office Director's signature." Also, computer related equipment must be ordered through DIT on a DIT-0015.

Of the 185 non-facility transactions tested and summarized on the 101 Reports, supporting documentation could not be located or was incomplete for 39 of these transactions and included the following:

1. Supporting documentation was missing or insufficient for 12 transactions.
2. Required advance approval on form DCH-0013 for the use of non-state conference rooms was not available for 6 transactions.
3. Computer related materials were purchased through 6 separate transactions that did not have the required order through DIT on form DIT-0015.
4. Catered lunches were purchased in 6 instances without a list of attendees.
5. Signatures for those in attendance at catered lunches did not agree with the number of meals purchased for 3 transactions.
6. Supporting documentation did not agree with the amount charged for 2 transactions.
7. The credit card slip was left blank and not signed by the cardholder for 2 transactions.
8. Required approval forms were missing for the purchase of a subscription/membership.

9. Copyrighted materials were purchased in 1 instance without the approval of the division/bureau/office director.

Several of the DCH hospitals/centers have developed their own policies concerning purchase documentation and processes to be followed when using the procurement card, supplementing the other policies and procedures already in place. We tested 545 transactions at the facilities. Some of the issues found include:

10. Copyrighted materials were purchased in 20 instances without documentation of facility director approval.
11. Cardholder receipts were not signed in 49 instances and 28 receipts were not dated in accordance with facility policies.
12. Receipts or invoices were not available to support 21 transactions.

Monthly Audit Procedures require the Contract Management Section to maintain a “repeat offenders” listing. This listing documents “repeat offenders” so that Contract Management staff can initiate corrective action against cardholders if they don’t consistently follow policies/procedures. The Contract Management Section has not maintained this listing of “repeat offenders.”

Without proper monitoring of cardholders and their purchases, DCH is increasing the likelihood that unauthorized and unallowable purchases could be made without detection. If documentation is not maintained to identify improper purchase “offenders” there is no way to discipline or initiate corrective action with respect to those individuals.

Recommendations

We recommend that DCH develop procedures to improve its control and monitoring activities to ensure that purchases are properly authorized, allowable, and adequately documented. At a minimum, procedures should be developed to ensure that the Cardholder Transaction Detail Reports are not sent directly to the cardholder and that

a “repeat offenders” list is not only maintained, but used to apply appropriate disciplinary action when warranted.

We also recommend that DCH consider reviewing and clarifying their policies and procedures relating to food purchases for meetings.

Finding

2. Authorized Cardholders

DCH has not effectively established criteria or procedures to monitor authorizations of employees who have access to the procurement card system.

The procurement card system can produce a Cardholder Listing report that lists each cardholder grouped by DCH organization. This report indicates if the cardholder is active/canceled, the activation date, and the monthly cardholder dollar credit limits. We examined this listing to determine whether active cardholders are currently DCH employees, cards were deactivated on a timely basis after termination of employment, and monthly credit limits are appropriate. We found one instance where a card had not been deactivated for an employee that had retired over six months earlier. In another case, a card initially issued to a hospital staff member in June of 2001 had never been activated. We also found one instance of a contract employee possessing a procurement card. Although we were informed by the Administrator that cards should not be assigned to contractual employees, the established policies and procedures are silent with respect to this situation. We found three instances where monthly credit limits were higher than other individuals in similar positions. We were informed that all six of these issues have been corrected as a result of our audit. At the DCH facilities we found two instances where procurement cards had not been cancelled on a timely basis. For one of these cases the cardholder changed to a position for which a procurement card was no longer needed. The procurement card was not cancelled until 19 months later.

The Cardholder Listing report can be an integral part of the internal control system for monitoring who has access to the procurement card system and what their

capabilities are. In order to be useful it should be monitored on a regular basis to ensure that only appropriate individuals have been issued procurement cards and only appropriate credit limits established for those individuals.

Recommendation

We recommend DCH monitor the Cardholder Listing to ensure that only appropriate individuals have active cards and cardholder limits are appropriately established.

Finding

3. Unallowable Purchases

DCH has not implemented procedures to effectively detect and prevent the procurement card from being used for purchases that violate program requirements.

The State of Michigan Procurement Card Program Cardholder Manual prohibits the procurement card from being used for certain categories of expenditures. For example, Appendix C prohibits the procurement card from being used to purchase health and medical supplies, travel expenses, telephone equipment, and postage stamps. In addition, the Administrative Guide to State Government (Administrative Guide) 0510.03, Credit Card Usage, prohibits splitting orders to avoid the \$2,500 single transaction limit. We found 17 instances of prohibited purchases made in the course of DCH operations (non-facility), including 9 split purchases, 3 purchases related to telephone equipment, 2 purchases of health and medical supplies, 2 travel related expenses, and 1 purchase of gasoline. We found 7 similar instances of prohibited purchases at the hospitals/centers.

We also found purchases for several items that should have been acquired through an existing vendor contract.

Our review disclosed 8 non-facility transactions that we determined should have been purchased through existing state contracts. Examples of these contract purchases include:

- a. Basic office supplies (white out, staples, toner, tape, wall organizer, etc.)
- b. Folding table and chairs
- c. Food and household items

We also found facility transactions that we determined should have been purchased through existing state contract. Examples of these contract purchases include:

- d. Office supplies
- e. Food items

The Administrative Guide to State Government, 0510.03 Credit Card Usage states, “The Procurement Card must not be used for: Contracted items; unless prior approval has been provided by DMB Acquisition Services.” We were not provided with evidence that these purchases had been appropriately approved.

Recommendation

We recommend that DCH implement procedures to detect and prevent the use of procurement cards for the purchase of prohibited items and the splitting of purchases to avoid the \$2,500 limit.

Finding

4. Card Sharing

DCH has not implemented procedures to ensure that the procurement card was only being utilized by the authorized cardholder.

The State of Michigan Procurement Card Program Cardholder Manual States, “The only person entitled to use the Procurement Card is the person whose name appears on the face of the card. Do not lend your Procurement Card to another person for use.”

We found 4 instances during our testing of central office transactions and 4 instances during our testing of facility transactions where procurement cards were being shared or used by employees other than the authorized cardholder. It was one facility’s

practice to send an employee that did not have a credit card to a store to purchase certain items. The store would then call the cardholder and the payment information would be provided to the merchant over the telephone. Under this type of arrangement, the cardholder would not have first hand knowledge of what items were purchased or even if the items eventually reached the facility.

We also discovered one instance where a cardholder's card was used while the person was on leave. Another individual certified the purchases by signing the cardholder's name on the Cardholder Transaction Detail Report during this person's absence on two separate occasions.

Sharing of procurement cards not only weakens the system of internal control, but also subjects the cardholder to disciplinary actions up to and including termination of employment for improper use of the card. Employees, who have a demonstrated need to perform credit card purchases, should be issued a procurement card and the practice of card sharing discontinued. In addition, only the person whose name appears on the card should be signing for purchases as stated in the Procurement Card Manual. If someone other than the person who makes the order is taking possession from the vendor as in the case of a phone order, then that individual should write "Phone Order" on the slip as stated in the "Update on Use of State Procurement Card" memorandum.

Recommendation

We recommend DCH take necessary action to discontinue the practice of procurement card sharing.

Finding

5. Ghost Accounts

The department does not have an effective control function in place to ensure that purchases on the ghost account are appropriate and approved prior to payment.

DCH has one procurement account number, referred to as the ghost account, which is used to purchase tickets, primarily for air travel. This account number is kept on hand by Global Experts in Travel (GET). If an employees' travel needs require the purchase of a ticket, such as for air or bus fare, the employee contacts GET. GET then purchases the tickets on the employees' behalf and charges the cost to the ghost account. Once an employee is registered with GET they can order tickets individually using this account. GET does not require a secondary approval. To register, a DCH employee only needs to fill out a form with GET.

Anyone traveling out-of-state must complete a form for approval prior to the trip. These forms are attached to travel vouchers and submitted to accounting after the trip has occurred and has been paid for. In the case of an in-state air/bus travel purchase, no form is required. If travel is booked and no travel voucher submitted, accounting would not know about the ticket unless detail from every booking is checked against travel vouchers. At this time there is no comparison of in-state ticket purchase approval to travel vouchers and in any event there would still be no supervisory approval of ticket purchase. Similarly, for any out-of-state travel, without a prior approval process in place, the ticket will have been purchased and paid for regardless of whether the travel was properly authorized.

The establishment of a control function to verify that all transactions are approved prior to travel is needed to provide adequate internal control and integrity to the credit card system.

Recommendation

We recommend the department establish an effective control function to ensure that all ghost account payments have adequate supporting documentation providing proper prior approval for travel.

Finding

6. Procurement Card Security

Not all procurement cards are being kept in a secure location in accordance with the Procurement Card Program Cardholder manual.

The Procurement Card Program Cardholder Manual Security Section states, “Keep your Procurement Card in an accessible but secure location.”

We questioned 14 central office cardholders as to where they keep their procurement cards. Three of the individuals stated that they leave their cards in a file on their desks and 3 stated that they leave their cards in a folder in an unlocked cabinet drawer. By not ensuring that procurement cards are kept in a secure location, DCH is increasing the likelihood that the card numbers or the card itself could be stolen and used by unauthorized individuals.

Recommendation

We recommend that DCH take steps to remind cardholders that all procurement cards must be kept in an accessible but secure location.

Finding

7. Cardholder Applications

Individual Cardholder applications are not being prepared/maintained in accordance with the Procurement Card Program Cardholder Manual.

The MDCH State Procurement Card Application Instructions provides that the cardholder, supervisor, and the Administrator shall all sign and date the cardholder application. The application itself indicates, “Incomplete applications cannot be processed.” The Administrative Guide, 0510.03 Credit Card Usage, sets forth the Administrator’s responsibilities which include: “processing new account applications...maintaining signed cardholder agreements on file.”

Our review of 206 active procurement cards and the corresponding applications disclosed the following:

- a. Applications did not have the Administrator signature and date in 202 (98%) instances.
- b. The supervisor signature was missing on 5 (2%) applications.
- c. Applications could not be located for 4 (2%) cardholders.
- d. The cardholder signature was missing on 1 application.

The Administrator is also responsible for processing procurement card account changes such as closure, name changes, limit changes, etc. During our testing of the applications we noted that 30 (15%) had a different supervisor since the original application had been processed but the accounts had not been updated to reflect the change in supervisor.

Cardholder applications/accounts need to be completed and updated in accordance with the Procurement Card Application Instructions to document that the card was properly issued in accordance with DMB and DCH requirements.

Recommendations

We recommend that DCH implement procedures to ensure that all procurement card applications/accounts are processed in accordance the DMB and DCH policies and procedures. We further recommend that all changes to an account, including a change in supervisors, be documented.

Finding

8. PaymentNet Access

DCH did not routinely review the listing of employees with PaymentNet access to ensure that only currently authorized individuals have access.

We obtained a listing of all individuals with PaymentNet access and reviewed their security levels. We found that 6 (14%) of 42 people listed as having access no longer

worked for DCH. Each had varying levels of authorization access. We were informed that access for these individuals has now been removed.

If this listing is not continually updated and monitored, information could be obtained by individuals who should no longer have access to that information due to job change, termination, etc.

Recommendation

We recommend the department implement procedures to ensure that access to PaymentNet information is limited to those individuals with proper authorization and with a documented need for the information.

GLOSSARY OF ACRONYMS AND TERMS

Administrative Guide	DMB Administrative Guide to State Government
Administrator	Department Procurement Card Administrator
Contract Employee	Individual contracted to provide products/services for state agencies
DCH	Michigan Department of Community Health
DCH-0013	Request for Approval for Rental of Non-State Conference Facility
DIT-0015	Procurement Requisition Form
DMB	Department of Management and Budget
Ghost Account	Sole State Procurement Card used for purchasing tickets from travel agency
Judgmental Sample	Judgmental sampling is the use of professional judgment in the selection of a sample for testing
Liaison	Facility Procurement Card Liaison
PaymentNet	Online billing database supported and maintained by JP Morgan Chase. It contains credit card information, including transaction details, for all state procurement cards.
Report	Cardholder Transaction Detail Report
Split Transaction	Single orders that would be divided into multiple transactions to avoid the single item purchase limit of \$2,500
Vendor	A dealer, distributor, merchant, or other seller providing goods or services that is required for the conduction of business

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	One
Finding Title:	Quality Control/Monitoring
Recommendation:	<p>We recommend that DCH develop procedures to improve its control and monitoring activities to ensure that purchases are properly authorized, allowable, and adequately documented. At a minimum, procedures should be developed to ensure that the Cardholder Transaction Detail Reports are not sent directly to the cardholder and that a “repeat offenders” list is not only maintained, but used to apply appropriate disciplinary action when warranted.</p>
Comments:	<p>Contract Management Section (CMS) agrees with the recommendations.</p>
Corrective Action:	<p>During the audit review, the CMS revised the repeat offenders listing and reinstituted its use.</p> <p>In addition, to improve quality control/monitoring the CMS will update post-transaction review and monitoring procedures to ensure that purchases are properly authorized, allowable and adequately documented. We plan to include a more active role for cardholder supervisors in conjunction with the new statewide procurement card program procedures, especially to receive, review and approve the Cardholder Transaction Detail Reports. In addition, we plan to work with internal audit to determine and implement an appropriate sampling methodology for the post-transaction reviews due to staff workload limitations.</p>

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Anticipated Completion Date: The corrective action plan has been implemented and is completed for the repeat offenders listing.

Implementation for supervisor receipt, review and approval of the Cardholder Transaction Detail Reports will be November 30, 2005.

Identification and implementation of a sampling methodology to be used in post-transaction reviews will be November 1, 2005.

Responsible Individual: Kristi Broessel

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	Two
Finding Title:	Authorized Cardholders
Recommendation:	We recommend DCH monitor the Cardholder Listing to ensure that only appropriate individuals have active cards and cardholder limits are appropriately established.
Comments:	CMS agrees with the recommendation that only appropriate individuals have active cards and cardholder limits are appropriately established.
Corrective Action:	During the audit review, CMS had the Procurement Card Administrators added to an e-mail listing used by Human Resources to notify interested parties of personnel transactions. CMS will use this information to verify whether appropriate individuals have active cards. In addition, the revised cardholder manual (CM) and new supervisor manual (SM) will highlight the need to provide notification of changes in personnel or leaves of absence. Each year the procurement card administrators will review cardholder limits and amount of usage to ensure that appropriate individuals are cardholders and that they have appropriate cardholder limits.
Anticipated Completion Date:	The Corrective Action has been implemented for the review of appropriate cardholders and that cardholder limits are appropriate. The revised CM and new SM will be completed November 30, 2005.
Responsible Individual:	Kristi Broessel

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	Three
Finding Title:	Unallowable Purchases
Recommendation:	We recommend that DCH implement procedures to detect and prevent the use of procurement cards for the purchase of prohibited items and the splitting of purchases to avoid the \$2,500 limit.
Comments:	The CMS agrees with the recommendation.
Corrective Action:	The CMS will work with the internal audit staff to develop and implement a sampling methodology to use in the post-transaction review to detect and prevent prohibited items and splitting of purchases to avoid transaction limits. In addition, new reports tagging the potential split transactions will be available to the procurement card administrators for use in their review beginning September 26, 2005.
Anticipated Completion Date:	November 1, 2005
Responsible Individual:	Kristi Broessel

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	Four
Finding Title:	Card Sharing
Recommendation:	We recommend DCH take necessary action to discontinue the practice of procurement card sharing.
Comments:	CMS agrees with the recommendation.
Corrective Action:	<p>During the audit review, a shared card was detected and was immediately canceled. The supervisor was reminded that it was inappropriate to share a procurement card according to the requirements.</p> <p>This requirement will be highlighted in future e-mail messages sent to the cardholders and supervisors and in their manuals. The procurement card administrators will include verification of the cardholder's name and the signature in the post-transaction review of the Cardholder Transaction Detail Report.</p>
Anticipated Completion Date:	The corrective action will be implemented and completed with the issuance of the revised CM and new SM by November 30, 2005.
Responsible Individual:	Kristi Broessel

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	Five
Finding Title:	Ghost Accounts
Recommendation:	We recommend the department establish an effective control function to ensure that all ghost account payments have adequate supporting documentation providing proper prior approval for travel.
Comments:	Accounting agrees that not all charges on the ghost account have had adequate supporting documentation providing proper approval for the travel.
Corrective Action:	Effective October 1, 2005, the State of Michigan will have a new contracted travel agency, Spartan Travel. Beginning with travel booked on or after October 1, 2005, Accounting will receive copies of all ghost account charges at the time the reservations are made. Out-of-State charges will be approved via the Out-of-State approval process currently in place. In-State charges will be reviewed upon Accounting's receipt. An e-mail approval will then be obtained from the employee's supervisor and kept with the procurement card documentation.
Anticipated Completion Date:	October 1, 2005
Responsible Individual:	Teresa Schneider

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	Six
Finding Title:	Procurement Card Security
Recommendation:	We recommend that DCH take steps to remind cardholders that all procurement cards must be kept in an accessible but secure location.
Comments:	CMS agrees with the recommendation.
Corrective Action:	This requirement will be highlighted in future e-mail messages sent to the cardholders and supervisors and in their manuals.
Anticipated Completion Date:	The corrective action will be implemented and completed with the issuance of the CM and new SM by November 30, 2005.
Responsible Individual:	Kristi Broessel

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number: Seven

Finding Title: Cardholder Applications

Recommendation: We recommend that DCH implement procedures to ensure that all procurement card applications/accounts are processed in accordance the DMB and DCH policies and procedures. We further recommend that all changes to an account, including a change in supervisors, be documented.

Comments: CMS agrees with the recommendation.

Corrective Action: CMS will review all existing cardholder applications for completeness and will follow-up with cardholders for corrections and will process all new applications in accordance DMB and DCH policies/procedures. The procurement card administrators will require written documentation to support all changes.

In addition, the revised CM and new SM will highlight the need to document and advise the procurement card administrators of changes that impact the current cardholder application.

Anticipated Completion Date: December 31, 2005

Responsible Individual: Kristi Broessel

**Department of Community Health
Audit of The Procurement Card Program
Corrective Action Plan
September 2005**

Finding Number:	Eight
Finding Title:	PaymentNet Access
Recommendation:	We recommend the department implement procedures to ensure that access to PaymentNet information is limited to those individuals with proper authorization and with a documented need for the information.
Comments:	CMS agrees with the recommendation.
Corrective Action:	<p>During the audit review, several individuals were identified as having unauthorized PaymentNet access and were immediately removed from PaymentNet.</p> <p>CMS will revise the procurement card administrators procedures to only allow individuals with a documented need for access to PaymentNet to be authorized for access.</p>
Anticipated Completion Date:	November 30, 2005
Responsible Individual:	Kristi Broessel